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NRO & USAF REVIEWS COMPLETED



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28 JAN 1963

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MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Contract Status and Funding Report of
Reconnaissance Programs (Black Portion)
Procured through OSA-DD/R

1. This memorandum, and attachments, constitutes a digest of contract activities as performed by OSA-DD/R in furtherance of Black portions of the National Reconnaissance Program. Separate attachments cover (a) the ORCACT-KIDLOCK [redacted] program, (b) the IDEALIST program, and (c) all satellite reconnaissance programs. This information is intended as a summarization fact sheet and briefing aid for you and your staff as you consider current NRO relationships, management and security problems.

2. The attached contract status reports indicate the level of magnitude of the various programs and of individual contractors within each program. They also provide a description of each contractor's responsibility for supplying specific equipment and services, with attendant Fiscal Years' and total funding.

3. In addition to the attached reports (covering just the IDEALIST and ORCACT aircraft programs, and all satellite programs), OSA has had contractual and technical responsibilities for a number of other smaller projects (programs) related to the above primary reconnaissance programs. Some such smaller related programs (not herein reported on) have been: [redacted] small parts

TABBOARD, [redacted]

4. The following summary of funds obligated on contracts for all programs (including those estimated to be obligated during the remain-

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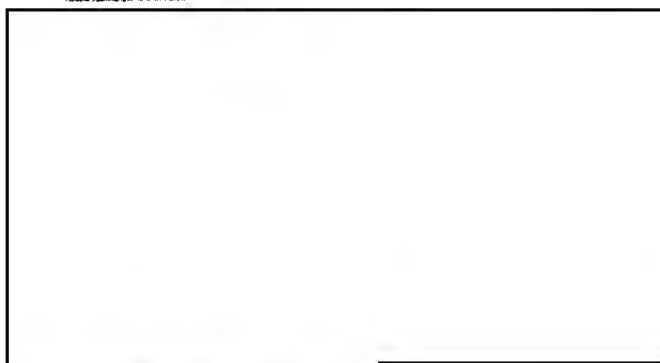
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See of FY 1963 and FY 1964) indicates the over-all CIA-DD/R contract activity since the early U-2 program:

FUNDS OBLIGATED ON CONTRACTS
(ALL PROGRAMS)
Source of Funds

FISCAL YEAR
 1955-57
 1958
 1959
 1960
 1961
 1962
 1963
 1964 (Budget)



* Includes construction and maintenance.

**includes KEYLOCK, [redacted] AND SATELLITE payloads.

5. The following comments respecting procurement techniques and philosophies are slanted toward the OXCART - KEYLOCK - [redacted] program, since the current inter-relationships existing on these programs perhaps best typify the working relationships and techniques so necessary to a high priority team effort in reconnaissance programs generally.

6. Following the rather successful U-2 program, the need for a higher performance aircraft became apparent in late 1958, at which time Convair Division of General Dynamics Corporation and Lockheed Aircraft Corporation were authorized to perform feasibility studies and submit preliminary proposals for a high performance follow-on vehicle. These proposals were analyzed by Agency and DOD technical personnel and a joint review of these two proposals was made by a group of senior-level personnel from DOD, AF, and CIA. The final decision to proceed with the A-12 (Lockheed) version was made after participation by and concurrence of the President.

7. The Headquarters system, as evolved for procurement and security protection of the U-2 program, was extended to encompass the OXCART program. Contractual, technical and security personnel continued to operate as a tripartite team, with a common focus on each day's problems. Operating in adjoining offices, they could and did confer immediately on problems of common concern. Time-consuming paper work gave way to across-

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the-table discussions. OSA (and predecessor) has always kept its Headquarters personnel to a minimum nucleus of individuals, civilian and military, adequately empowered to function as a self-supporting entity. Agency personnel have been sufficiently removed from the main stream of Agency affairs to avoid involvement with external Agency echelons yet close enough to get quick reaction for needed Agency support. Likewise, assigned AF personnel were sufficiently withdrawn from their departmental home to escape any conventional encrustments that might there exist, yet sufficiently remembered that, with little more than an established high priority "Project Code", they could and did receive excellent support service from their parent organization in areas of spares and equipment, fuel and refueling, "white" areas of satellite launch and tracking, AF laboratory analyses and technical reports, and provision of operational types of military personnel. This rather simplified and austere "team staffing" has permitted the Agency's mission for intelligence gathering over denied areas to proceed, under the very best of security compartmentation, by using the Agency's special procurement legislation, techniques, and personnel, jointly supported by AF funding, technical know-how, and Air/Space logistics resources.

8. As an aside, my Contracts personnel infer to me that there has, from their standpoint, been a decided lessening or worsening of the above "team" ingredients in recent months under the ERO. In their opinion, they no longer have the same quick and ready access to cognizant technical and security personnel for timely conferences and cross-fertilizing briefings as they used to. Now, too often, they are hearing first from Contractors as to new developments or requirements levied upon them by visiting ERO staff (Pentagon) or AF Special Projects Group (Inglewood). Considering the increasing scope of their contracting workload and the importance to these types of programs of maintaining a quick-reacting and well-informed contract capability, their above observations warrant our continued attention.

9. Technical guidance and direction of the CUCART program has been with the Agency. By a memorandum of understanding with the Air Force, the Air Force agreed to provide necessary support for the CUCART program, and the Agency agreed to perform follow-on procurement (for security reasons) of additional vehicles or development of other vehicle versions of interest to the Air Force. Technical mentorship of such follow-on procurement was to be and has been in the Air Force. Under this memo of understanding the procurement of three (3) long range interceptors (AF-12's) was undertaken (as the KIDLOCK program); and later, the procurement of five (5) additional A-12 vehicles

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10. Each of the three programs (OK/KED, [redacted]) has experienced economies from a unity-of-program standpoint. Flight test was to be performed at the same area. Many common spares, ground support equipment and even engines were procured sparingly. Counting on this common usage (with warehousing and accountability being performed by the "Project" Depot [redacted]) the KEDLOCK [redacted] procurements took advantage of design and development costs incurred earlier on OGCART airframe, engines and subsystems (in varying degrees). These economies on spares, etc., for the KEDLOCK [redacted] programs, however, were effected with the understanding that if the flight test of these vehicles should be performed at a location [redacted] then the initial spares and GSE requirements would be re-examined and some additional procurements effected by the Air Force for the KEDLOCK [redacted] vehicles.

11. As may be noted in attachments, the preponderance of dollars has been obligated on fixed price redeterminable contracts. Next, in order, are CPFF contracts. Included are several fixed price with incentive profit and cost plus incentive fee contracts.

12. Relative to contract profit, which can really be analyzed only on an individual contract basis, some general comments may be in order. On CPFF type contracts, generally, the Contracting Officer has been willing to negotiate [redacted] than if the contract were a conventional DOD contract for the following reasons:

- a. Severe security restrictions.
- b. High degree of responsibility placed on contractors to make the "thing" work with reliability.
- c. High calibre of engineering personnel assigned on advanced state of the art programs.
- d. Observed fact that negotiated cost estimates are usually considerably less than under conventional DOD procurement due to our minimum requirements for reporting, drawings, and administrative Government approvals.

While the average original rate of fee has been [redacted] of original estimates, state-of-the-art difficulties have decreased this rate to [redacted] of actual costs. In two major areas, airframes and engines, the following pertains. The LAC profit for ten (10) A-12's (design, development, manufacture and flight test) was established at

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[redacted] No profit was paid on major aircraft or payload sub-systems, since they are procured under "associate" contracts issued by Headquarters. Actual costs and scope changes have increased to the point where the final price will be approximately

[redacted] IAC will receive [redacted]

[redacted] The Pratt & Whitney Corporation has two contracts, one for development and one for production of J-56 engines. The Company is being paid [redacted] the development contract effort or on the production contract (37 engines plus spares ordered through 31 December 1962). Future engines and/or spares procurement will require negotiation and payment of a profit.

13. The philosophy behind both the airplane and the engine contracts (with Lockheed Aircraft Corp. and Pratt & Whitney respectively) has been that the Government is relying upon and buying the Contractor's technology, manufacturing, and test capability, and their integrity to design, develop, manufacture and test a limited number of decidedly beyond-the-state-of-the-art airplanes and engines in the shortest time possible. Administrative approvals are kept to a minimum. However, audit of all costs is performed.

14. For purpose of auditing contracts under all reconnaissance programs, selected AF auditors are (and since early U-2 days have been) assigned to Headquarters for just this purpose. They are familiar with the airplane and space industry. They have their contacts and sources for relevant information back within their parent Auditor General Air Force organization. They have proven themselves worthy teammates working with the detached Project Headquarters concept, both in the audit of contractors' costs as well as in performing pre-contract audits and participating as cost analyst members of negotiation teams. Currently, there are [redacted] AF auditors so assigned, and one or two more could be used effectively.

Signed Herbert Scoville, Jr.

HERBERT SCOVILLE, JR.
DEPUTY DIRECTOR
(RESEARCH)

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cc: DCI (Copy 2)

Attachments: A - C, as stated

cc/OSA-RB/S: [redacted] 14 January 1963)

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- 3 - DB/R w/atts.
- 4 - DD/R w/o atts.
- 5 - AF/OSA w/o atts.
- 6 - CD/OSA w/atts.
- 7 - RB/OSA w/o atts.
- 8 - CD/OSA w/atts. (holdback)

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G. When is the best time for surfacing the fact that the RX-12 is being procured and why CIA is involved?

H. With the added workload the Contract Division of OSA would require [redacted] more Contract Negotiators well versed in the Aircraft and related systems type of procurement. It would seem feasible to have [redacted] counterparts of the CIA Contract Negotiators domiciled in a special staff at Wright Patterson Air Force Base. These counterparts to work with the CIA negotiators and maintain duplicate files of all contract documents. This duplicating would provide, at the time of surfacing, a group who could produce copies of the contracts and provide answers to any investigating group as to the reason for source of contractors, types of contracts, justification of costs and profits allowed, etc.

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I. [redacted]

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2. Undoubtedly there are many other problem areas which would need to be discussed and clarified with the cognizant Air Force officials connected with the subject procurement.

for [redacted]
Chief, Contracts Division, OSA

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CD/OSA-DD/R: [redacted]

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